

▶ BOUSTEAD HOLDINGS BHD				
	2009	2010F	2011F	2012F
NET PROFIT (RM mil)	341.6	418.3	525.8	524.5
EPS (sen)	36.3	44.5	55.9	55.8
P/E (x)	14.4	11.8	9.4	9.4
DIV YIELD (%)	4.2	4.3	4.3	4.3

Recent run up puts Boustead back in favour with investors

▶ **Recommendation: Buy**
Target Price: RM6.70
 By ECMLibra Investment
 Research (Oct 7)

Growing Popularity

BOUSTEAD Holdings Bhd had a very strong run up in recent weeks. We view the recent run up as borne of several things: new coverage by other brokers, increased institutional visibility, laggard play, GLC spotlight, and BHIC jobs potentially coming through soon.

Just to back track, we upgraded the stock to a 'Buy' (TP: RM4.14) in June when it was trading at RM3.54.

Post the acquisition of Pharmaniaga, our TP was raised to RM4.48. Our downgrade to 'Hold' came during

2Q results, when upside to our TP was less than 10%.

Not Short of Catalyst

Just to reiterate, we are banking on these few items to really drive earnings going forward.

They are: sale of loss-making Sumatran estates that will bump up group yields to an estimated 23x from current 19mt/ha (we estimate 16% bottom line enhancement from that), award of another tranche of vessels for the Royal Malaysian Navy probably worth in excess of RM5b, and new landbank in Greater KL arising from LTAT's involvement with the government land privatisation programme to drive property division.

Upgrade to 'Buy'

To note, we have not priced in any sale of plantation assets or the new vessel contracts from the government given lack of clarity on timing.

Boost in FY11 earnings comes from slightly better plantation operations and also the inclusion of Pharmaniaga. On that front, there is room for upgrade in earnings when these items come into fruition.

We are moving up our PE multiple (8x historical average since 2007) by one standard deviation, which derives a PE of 12x.

Multiplying FY11 EPS with this raises our TP to RM6.70 (RM4.48 previously). We upgrade Boustead to a 'Buy' from a 'Hold'.